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SUBJECT: China/Migrant Unrest: What Happened to Fears of Unemployment and Social Unrest?

REF: A) GUANGZHOU 528
B) SHANGHAI 374

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¶1. (SBU) Summary: After reporting that 20 million migrant workers returned home for the 2009 Chinese New Year holiday unemployed, the Chinese government recently announced that the migrant labor situation has significantly improved, thereby reducing the likelihood of social unrest. China's Ministry of Human Resources and Social Security (MOHRSS) reported 95 percent of migrants have returned to urban areas and 97 percent have found jobs. The National Bureau of Statistics (NBS) quantified the current number of unemployed migrants as 4.2 million. Other officials, factory owners, and migrant laborer NGOs also support these claims of greatly reduced unemployment, though some add that much new employment is part-time or temporary. Factories in the export production areas of Guangzhou and Shenzhen have increased hiring, and there are even some reports of labor shortages in the area. While migrant labor employment rates are difficult to confirm and Chinese government officials have a vested interest in putting the most positive spin on unemployment, information from non-government sources appear to substantiate what seems to be a general turnaround in the migrant labor employment situation. End Summary.

Unemployed Migrants: From 20 Million to 4 Million

¶2. (SBU) Chen Xiwen, China's MOHRSS Director of the Office of the Central Leading Group on Rural Work announced in February, shortly after the 2009 Chinese New Year holiday, that 20 million migrants had returned home without jobs. MOHRSS later lowered this figure to 18 million unemployed, based on a survey jointly conducted with China's NBS.

¶3. (SBU) In a recent press conference, MOHRSS Minister Yin Meimin said that while migrant worker employment has not returned to pre-financial crisis levels, it has increased significantly over the summer months; 95 percent of the migrant laborers who returned home before the holiday are now back in the urban areas, and 97 percent of them have found work. MOHRSS officials also touted these migrant employment gains in a meeting with Embassy's labor officer, adding that MOHRSS also increased job training assistance for migrants who remained in their home provinces.

¶4. (SBU) Peoples Bank of China Governor Zhou Xiaochuan provided a similar outlook to a visiting Congressional Delegation on September 12. According to Zhou, about 90 percent of the idled migrants have returned to the cities, and about 70-80 percent of those who had lost their jobs during the crisis now are employed, with roughly

one-third of them working in manufacturing or export sectors, one-third in construction, and one-third in services. He said the government hoped further development of service sectors would generate more jobs for the migrants.

¶5. (SBU) In addition to the migrants who returned to the cities after the New Year holiday, Deputy Director Wang Yadong of the Employment Promotion Department of MOHRSS announced that an additional ten million new migrants headed to cities to find jobs in the first six months of 2009. The NBS on September 15 also announced the results of a recent survey that showed the total number of migrant laborers employed outside their hometowns increased 2.6 percent from the end of March to 151 million. The same survey found that by the end of June 2009, 4.2 million migrants were still unemployed, of whom 28.7 percent had left their previous jobs because of "low income" and 50 percent due to "not having yet found a proper job" or "payroll cuts resulting from business closure or bankruptcy."

¶6. (SBU) Some academics are skeptical that the migrant labor situation is as rosy as MOHRSS and the NBS report suggest, noting that the figures are manipulated: for example, by including migrants registered at training centers and labor dispatch agencies as being employed. They also argue that much of the current employment increase is into part-time or temporary jobs. However, even the skeptics agree that the migrant laborer employment situation has improved greatly from early 2009.

Reports of Labor Shortages Support Message of Recovery

¶7. (SBU) Numerous recent Chinese press accounts detail labor

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shortages emerging in Yangtze and Pearl River Delta areas previously hit by the economic crisis, though some academics note that the shortages are mainly due to a lack of skilled labor. Reftel A describes a tight labor market among toy manufacturers in southern China due to factory owners' inability to find skilled labor at wage rates they want to pay, and reftel B notes Zhejiang Province's increased employment and some shortages of skilled labor.

¶8. (SBU) Similarly, in recent meetings with NGOs and export manufacturers in Guangzhou, Dongguan and Shenzhen, Embassy Beijing Labor Officer and CG Guangzhou PolOff heard consistent reports of labor shortages in the area, a big change from the dire migrant laborer employment situation earlier in the year. Nike Guangzhou representatives reported that their supplier factories have recently increased hiring, and that they have experienced some labor shortages in coastal areas. Walt Disney representatives reported similar findings. Finally, several Beijing-based labor academics also verified reports of recent labor shortages, particularly in coastal areas.

¶9. (SBU) These reported labor shortages may not necessarily be entirely due to increased economic activity. As noted in reftel A, there are numerous reports of factories trying to control costs by cutting overtime as they recover from the crisis, which makes it more difficult for them to attract skilled workers who might be able to make more money elsewhere. Some experts also have said the shortages are a result of caution among migrants, some of whom may be unwilling to make the significant personal and financial commitments to return to urban areas without more stable labor markets. Public infrastructure projects arising from the massive government stimulus spending also absorbed many migrants. Finally, government job-training and business start-up programs helped keep some migrants home.

No Sign of Unrest

¶10. (SBU) Government officials, worried that widespread migrant laborer unemployment may trigger social unrest, obviously have welcomed signs of improving migrant labor employment. According to local press, MOHRSS Minister Yin said that "the worst-case scenario we prepared for earlier, in which migrant workers who lost their

jobs might turn up protesting, did not take place." He added that "current measures taken by the central government will prevent further social unrest from happening." Press reports and some academics have also commented that risk of migrant worker social unrest as a result of lay-offs earlier this year was overstated.

Increasingly Flexible Migrant Labor Market

¶11. (SBU) The Guangzhou-based director of training for Walt Disney's supply chain manufacturers provided perspective as to why, in addition to improving economic fundamentals, the migrant labor market is increasingly flexible. As this market matures, many migrant laborers develop new confidence and different motivations from earlier migrants. He noted that migrant laborers exchange information with others, particularly in their home provinces during the New Year holiday, and return to different urban locations if they hear of better opportunities. Also, he said migrants consider factors other than wages; many now have additional personal motivations including wanting to live in and see different areas, having friends they want to be near, and even getting married and moving somewhere that works for both partners.

Comment

¶12. (SBU) Comment. While migrant labor employment rates are difficult to measure, and MOHRSS may be exaggerating some figures to trumpet their effectiveness in reducing potentially destabilizing migrant unemployment, there seems to have been a clear turnaround in the migrant labor employment situation from early 2009. China's official migrant laborer unemployment rate plummeted from approximately 20 million to 4 million in 6 months. Significantly, although there were numerous instances of localized unrest this year, unemployment rates did not result in systemic social instability. The improving labor situation may shape decisions by Chinese economic policymakers who have been hesitant to rein in China's current stimulus programs as long as unemployment remains a serious threat to stability.

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¶13. (U) This cable was produced with the assistance of CG Guangzhou.

Huntsman